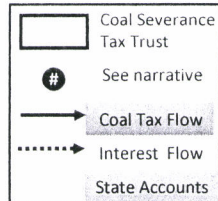


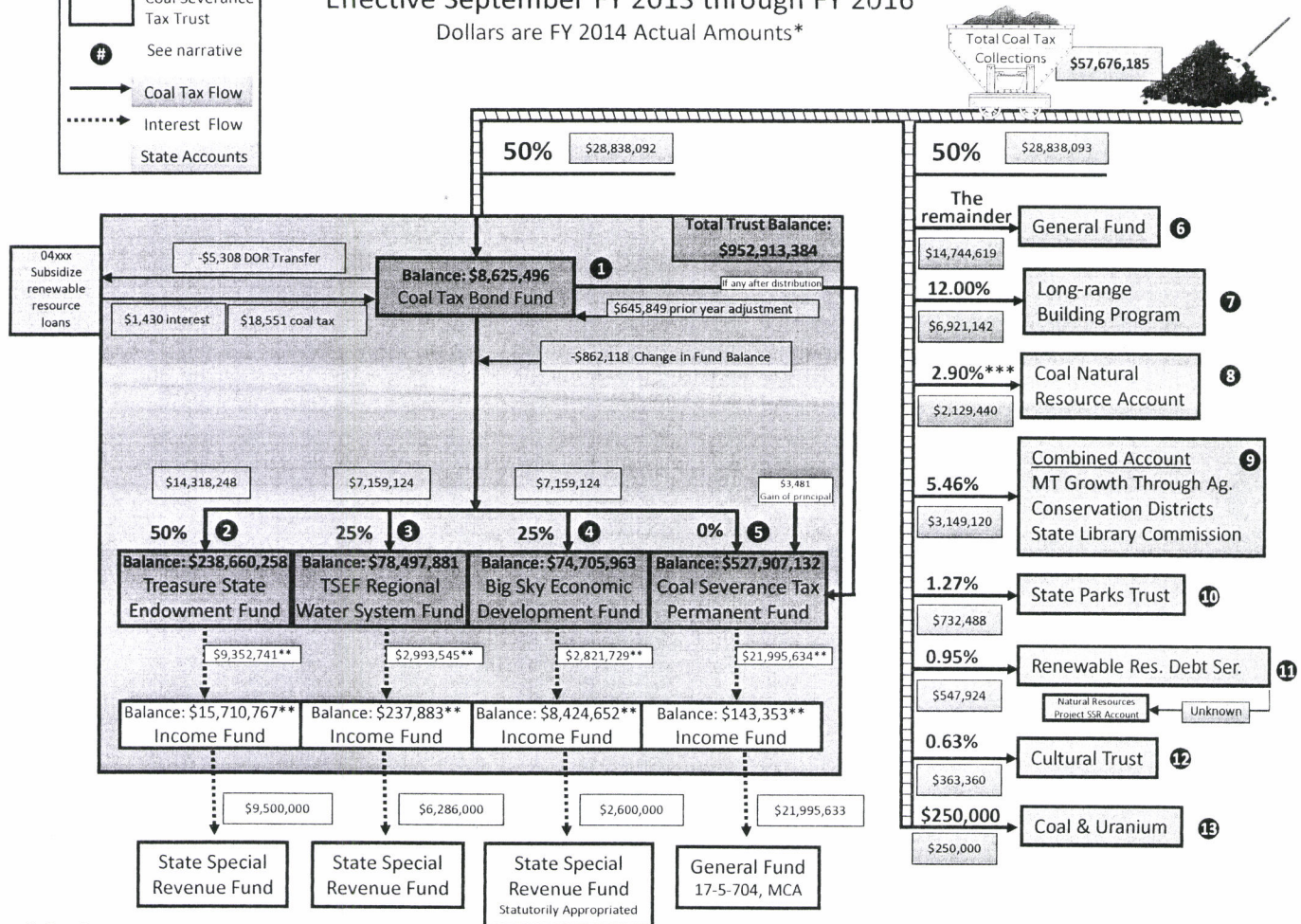
Montana's Coal Severance Tax Distribution Detail

Updated September 2014



Effective September FY 2013 through FY 2016

Dollars are FY 2014 Actual Amounts*



* Current year
** Excludes unrealized investment gains and losses
*** Reduced from 5.8% after September 30, 2013

Coal Severance Tax Trust Fund

As directed by Article IX, Section 5 of the Montana Constitution, the coal severance tax trust fund receives 50% of total coal severance tax collections. The money flows through five sub-trust funds within the trust. In order, these five are:

❶ Coal Tax Bond Fund (Title 17, Chapter 5, Part 7) – The legislature authorizes the sale of coal severance tax bonds to finance renewable resource projects (Title 85, Chapter 1, Part 6) and local government infrastructure projects (Title 90, Chapter 6, Part 7). A maximum of \$250 million in bonds is authorized as loans for renewable resource projects (17-5-719, MCA) to provide:

- a healthy economy;
- alleviation of social and economic impacts created by coal development; and
- a clean and healthful environment

The total amount of outstanding principal of renewable resource bonds at any time cannot exceed \$30 million (85-1-624, MCA). An amount equal to the following year's principal and interest payments is maintained in the fund. Money in the fund is pledged to pay the debt service on the bonds if interest and principal payments by the loan recipients are insufficient to fully pay the debt service. Bonds are authorized, projects approved, loan rates established, and bond proceeds are appropriated by the legislature to the Department of Natural Resources in House Bill 8.

❷ Treasure State Endowment Fund – In June 1992, the voters approved a legislative referendum establishing the treasure state endowment program. Initially funded with \$10 million from the permanent fund, the fund received 75% (37.5% of the total) of the remaining coal severance tax revenue after deposits (if any) to the coal tax bond fund and the school bond contingency loan fund (HB 44 in the 2007 session eliminated this fund) through the 2003 biennium. From then forward, the fund receives 50% (25% of the total). Projects are approved and interest earnings from the fund are appropriated to the Department of Commerce by the legislature in House Bill 11 as grants for local government infrastructure projects. The deposit of coal severance tax revenue to this fund terminates the end of FY 2016.

❸ Treasure State Endowment Regional Water System Fund – The 1999 Legislature established the treasure state endowment program to fund regional water system projects. The fund receives 25% (12.5% of the total) of the remaining coal severance tax revenue after deposits (if any) in the coal tax bond fund and the school bond contingency loan fund (HB 44 in the 2007 session eliminated this fund). Projects are restricted to drinking water systems that provide water for domestic, industrial, and stockwater use for communities and rural residences that lie in specific northcentral and northeastern geographic areas. Projects are approved and interest earnings from the fund are appropriated to the Department of Commerce by the legislature in House Bill 11 as grants for local government infrastructure projects. The deposit of coal severance tax revenue to this fund terminates the end of FY 2016.

❹ Big Sky Economic Development Fund – The 2005 Legislature established the big sky economic development program (House Bill 249) to fund qualified economic development projects. The fund receives 25% (12.5% of the total) of the remaining coal severance tax revenue after deposits (if any) in the coal tax bond fund and the school bond contingency loan fund (HB 44 in the 2007 session eliminated this fund). The deposit of coal severance tax revenue to this fund terminates the end of FY 2025. Grants and loans are available to local governments for economic development projects and to certified regional development corporations for the purposes of:

- creating good-paying jobs for Montana residents;
- promoting long-term, stable economic growth;
- encouraging local economic development organizations; and
- retaining or expanding existing businesses

Grants and loans are approved by and interest earnings from the fund are statutorily appropriated to the Department of Commerce. Money not spent for administration must be used: 1) 75% to local and tribal governments for job creation efforts; and 2) 25% to certified regional development corporations and economic development organizations.

❺ Permanent Fund – Prior to the establishment of the previous four funds, all the coal severance tax revenue distributed to the trust fund was deposited to the permanent fund. From FY 2000 through FY 2003, the permanent fund did not receive any deposits of coal severance tax revenue. From FY 2004 through FY 2005, the fund received 25% of the remaining coal severance tax revenue after deposits (if any) in the coal tax bond fund and the school bond contingency loan fund (HB 44 in the 2007 session eliminated this fund). Beginning FY 2006, no coal severance tax